

Message Text

PAGE 01 NATO 04413 01 OF 02 201438Z

43

ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 PM-07 INR-10 L-03 NEA-10

NSAE-00 PA-03 RSC-01 PRS-01 SPC-03 USIA-15 TRSE-00

MBFR-04 SAJ-01 SS-15 NSC-10 ACDA-19 OMB-01 EB-11

DRC-01 /141 W

----- 016115

R 201310Z SEP 73

FM USMISSION NATO

TO SECSTATE WASHDC 1658

SECDEF

INFO AMEMBASSY OTTAWA

USNMR SHAPE

SUCINCEUR

USLOSACLANT

S E C R E T SECTION 1 OF 2 USNATO 4413

E.O. 11652: GDS, 12-31-81

TAGS: MCAP, CA, NATO

SUBJECT: CANADIAN DEFENSE DECISIONS

REF: USNATO 4405

FULL TEXT OF STATEMENT RELEASED BY CANADIAN PERMREP MENZIES TO DPC ON SEPTEMBER 19 COVERING NEW CANADIAN DEFENSE DECISIONS AND CANADIAN VIEWS ON SACLANT AND MC ASSESSMENTS OF CANADIAN PROPOSALS IS GIVEN BELOW. MENZIES GAVE HIGHLIGHTS OF STATEMENT ORALLY TO DPC. (SEE USNATO 4405)

BEGIN TEXT.

IMPROVED FINANCING OF CANADA'S DEFENSE PROGRAM

1974/5 TO 1987/9

STATEMENT IN THE DPC, SEPTEMBER 19, 1973, BY THE
CANADIAN PERMANENT REPRESENTATIVE

DELEGATIONS RECEIVED YESTERDAY COPIES OF
MCM-58-73 DATED 17 SEPTEMBER CONTAINING THE MILITARY
SECRET

PAGE 02 NATO 04413 01 OF 02 201438Z

COMMITTEE AT ITS MEETING OF SEPTEMBER 5, WHEN I
MADE A PRESENTATION ON THIS SUBJECT. AS IT IS THE
WISH OF THE GOVERNMENT OF CANADA TO MAKE AN EARLY PUBLIC
ANNOUNCEMENT OF THE IMPROVED FINANCING FORMULA FOR THE

CANADIAN DEFENCE BUDGET OVER THE NEXT 5 YEAR PERIOD
AND TO PROCEED WITHOUT DELAY TO THE SELECTION OF
NEW EQUIPMENT FOR THE FORCES I WOULD LIKE TO MAKE
A FURTHER STATEMENT TODAY IN WHICH I WILL TRY TO
ANSWER SOME OF THE QUESTIONS THAT HAVE BEEN RAISED.

INTENTION OF REVISED PROGRAM

STATEMENTS MADE BY CANADIAN MINISTERS OF
NATIONAL DEFENCE AT THE DPC MINISTERIAL MEETINGS HAVE
MADE CLEAR THAT "THE PERIOD IN WHICH CANADA'S DEFENCE
BUDGET WAS HELD TO A FIXED AMOUNT HAS ENDED. WE NOW
ENVISAGE AN INCREASE IN DEFENCE SPENDING IN RESPONSE
TO COST INCREASES AND TO THE NEED TO PROVIDE
MORE ADEQUATELY FOR EQUIPMENT REPLACEMENT" (HON. J. RICHARDSON,
DPC MINISTERIAL 6/12/72). IT IS EVIDENT THAT THE CANADIAN
GOVERNMENT IS COMMITTED TO IMPROVED DEFENCE FINANCING MAKING
PROVISION FOR RENEWAL OF CAPITAL EQUIPMENT.

FINANCING FORMULA

HOW WAS THE 7 PERCENT ANNUAL INCREASE FORMULA ARRIVED AT?
THE ANNUAL BUDGET INCREASE OF 7 PERCENT WAS A NEGOTIATED
RATE IN THE ESTABLISHMENT OF WHICH A NUMBER OF FACTORS
WERE TAKEN INTO ACCOUNT. THE MAJOR FACORS WERE:

- (A) PROJECTION ON THE BASIS OF EXPERIENCE IN RECENT
YEARS OF INCREASES IN PERSONNEL AND OPERATION
AND MAINTENANCE COSTS AT THE RATE OF 6 PERCENT AND
4 PERCENT PER ANNUM RESPECTIVELY;
- (B) RECOGNITION THAT THE PROPORTION OF THE DEFENCE
BUDGET ALLOCATED TO CAPITALY HAD DROPPED TO AN
UNACCEPTABLY LOW LEVEL AND SHOULD ACCORDINGLY
BE BUILT UP. IT WAS THE VIEW OF THE DEPARTMENT
OF NATIONAL DEFENCE THAT, TAKING INTO ACCOUNT
CANADA'S PARTICULAR CIRCUMSTANCES, THE RATE
OF BUILD UP SHOULD BE SUCH AS TO ACHIEVE AN
ALLOCATION OF 20 PERCENT OF THE ANNUAL BUDGET
AT THE END OF THE PERIOD TO WHICH THE FORMULA
APPLIES. ULTIMATELY, AGREEMENT WAS REACHED THAT
SECRET

PAGE 03 NATO 04413 01 OF 02 201438Z

AN INCREASE OF 1-1/2 PERCENT ANNUALLY IN THE
SHARE OF THE BUDGET DEVOTED TO CAPITAL, WITH
CAPITAL SPENDING INCREASING FROM 11.4 PERCENT
OF THE BUDGET IN THE BASE YEAR TO 17.6 PERCENT
IN 78/79 WOULD BE ADEQUATE TO ACCOMMODATE MAJOR
CAPITAL PROGRAMS WITHIN THE PERIOD AND WOULD BE
SIGNIFICANT STEP IN THE DIRECTION OF THE
TARGET FIGURE WHICH THE DEPARTMENT OF NATIONAL
DEFENCE SOUGHT TO ACHIEVE. THE ACTUAL RATES OF
INCREASE IN THE CAPITAL PORTION OF BUDGET ARE 19
PERCENT IN 74/75, 18 PERCENT IN 75/76, 16 PERCENT
IN 78/79, AND THAT THIS IS CLEARLY WELL ABOVE THE
ANTICIPATED RATES OF INFLATION IN CAPITAL COSTS;

(C) A JUDGEMENT ON THE PART OF THE GOVERNMENT THAT
7 PERCENT WAS A REASONABLE MEAN POINT BETWEEN
THE PROJECTED REATE OF INFLATION IN THE ECONOMY
AND THE RATE OF INCREASE IN GNP AND THAT THE
7 PERCENT RATE PROVIDED APPROPRIATELY FOR REAL
GROWTH IN THE AMOUNT OF RESOURCES DEVOTED TO
DEFENCE AT A RATE SLIGHTLY BELOW THE RATE OF
GROWTH IN GNP, WHICH IS IN LINE WITH RECENT
DEFENCE EXPENDITURE TRENDS IN NATO COUNTRIES.

IF THE RATE OF INFLATION EXCEEDS 7 PERCENT WHAT FACTOR
WOULD TRIGGER A FURTHER REVIEW BY CABINET OF ITS DECISION?
FIRST I SUGGEST THAT IT IS HIGHLY SPECULATIVE TO PROJECT
A RATE OF INFLATION EXCEEDING 7 PERCENT IN CANADA DURING THE
NEXT FIVE YEARS ON THE BASIS OF NEWSPAPER ACCOUNTS JUMPS IN
NORTH AMERICAN FOOD COSTS IN THE LAST FEW MONTHS. CANADA'S
RECORD IN CONTROLLING INFLATION COMPARES FAVOURABLY WITH
THAT OF ALL OTHER NATO COUNTRIES. SECONDLY, IN APPROVING
THE FINANCING FORMULA CABINET CLEARLY INTENDED TO PROVIDE
FOR AN ANNUAL INCREASE IN THE PERCENTAGE OF THE DEFENCE
BUDGET ALLOCATED TO CAPITAL EQUIPMENT. IF THE IMPACT OF
INFLATION ON MANAGEMENT OF THE DEFENCE PROGRAM WERE SUCH
THAT IT WOULD BE LIKELY TO FRUSTRATE THIS INTENTION, IT
WOULD BE REASONABLE TO EXPECT THAT THERE WOULD BE CAUSE
FOR A FURTHER REVIEW.

SECRET

SECRET POSS DUPE

PAGE 01 NATO 04413 02 OF 02 201550Z

46

ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 PM-07 INR-10 L-03 NEA-10

NSAE-00 PA-03 RSC-01 PRS-01 SPC-03 USIA-15 TRSE-00

MBFR-04 SAJ-01 SS-15 NSC-10 ACDA-19 OMB-01 EB-11

DRC-01 /141 W

----- 016737

R 201310Z SEP 73

FM USMISSION NATO

TO SECSTATE WASHDC 1659

SECDEF

INFO AMEMBASSY OTTAWA

USNMR SHAPE

USCINCEUR

USLOSACLANT

S E C R E T SECTION 2 OF 2 USNATO 4413

EVIDENCE OF NEW EQUIPMENT TO BE ORDERED

WITH CABINET APPROVAL AND PUBLIC ANNOUNCEMENT OF THE NEW FINANCING FORMULA THE DEPARTMENT OF NATIONAL DEFENCE WILL PROCEED TO DEVELOP AN EQUIPMENT ACQUISITION PROGRAM DURING WHICH THERE WILL BE APPROPRIATE CONSULTATION WITH THE MAJOR NATO COMMANDERS. HOWEVER, AS EQUIPMENT PROCUREMENT IS PART OF A TOTAL PROGRAM PACKAGE THE DEPARTMENT OF NATIONAL DEFENCE WILL NATURALLY WISH TO REVIEW ALL PROPOSALS WHICH ARE AT VARIOUS STAGES OF COMPLETENESS AND ESTABLISH PRIORITIES WITHIN THE FUNDS TO BE MADE AVAILABLE. AS SOON AS THIS INFORMATION IS AVAILABLE IT WILL BE SUPPLIED, NORMALLY THROUGH THE DPQ QUESTIONNAIRE PROCEDURE.

CANADA NOW HAS 26 ARGUS LONG RANGE PATROL AIRCRAFT EARMARKED FOR ASSIGNMENT TO SACLANT. THESE ARE GOOD AIRCRAFT WITH EFFECTIVE TO SACLANT. THESE ARE GOOD AIRCRAFT WITH EFFECTIVE ASW EQUIPMENT AND CREWS BUT THEY ARE ON RESTRICTED FLYING HOURS TO PROLONG THEIR USEFUL LIFE.

SECRET

PAGE 02 NATO 04413 02 OF 02 201550Z

THE MINISTER OF NATIONAL DEFENCE ANNOUNCED THAT THE GOVERNMENT IS CONSIDERING PROPOSALS FROM THE AEROSPACE INDUSTRY FOR A NEW L.R.P.A. TO BE EQUIPPED WITH MODERN MARITIME SURVEILLANCE SYSTEMS. THIS PROCUREMENT PROGRAM, WHICH IS PROCEEDING ACCORDING TO PLAN, IS EXPECTED TO COST BETWEEN \$900 MILLION AND \$1,000 MILLION. WHEN IT IS COMPLETED IT SHOULD GREATLY ENHANCE OUR MARITIME AND SUBMARINE SURVEILLANCE CAPABILITIES WHICH SHOULD COMPENSATE FOR THE WITHDRAWAL OF THE FOUR TIED UP DESTROYERS AND SHORE-BOUND TRACKER AIRCRAFT.

DURING HIS PRESENTATION TO THE MILITARY COMMITTEE ON SEPTEMBER 6, ADMIRAL HANINGTON INDICATED SOME OF THE TYPES OF NEW EQUIPMENT THAT WILL BE CONSIDERED SUCH AS, REPLACEMENT OF THE CF104 AND CF101 AIRCRAFT, WHEELED ARMoured RECONNAISSANCE VEHICLES, TRUCKS, SHIPS CAPABLE OF OPERATION IN ICE, IMPROVEMENTS IN AIR TRAFFIC CONTROL, ETC. ALL THESE ITEMS AND OTHERS WILL REQUIRE FURTHER STUDY AND INTEGRATION INTO AN OVERALL RE-EQUIPMENT PROGRAM WHEN THE NEW FINANCING FORMULA IS ANNOUNCED. DELAY IN ANNOUNCEMENT DELAYS COMMENCEMENT OF THE RE-EQUIPMENT PROGRAM.

DEFENCE BUDGET AS PERCENTAGE OF GNP

WHAT PERCENTAGE OF GNP IS REPRESENTED BY THE DEFENCE BUDGET?

AS I STATED ON SEPTEMBER 5 THE CANADIAN DEFENCE PROGRAM IS TO REMAIN AT ABOUT ITS PRESENT LEVEL, IN THE ABSENCE OF UNFORESEEN DEVELOPMENTS. THE INTENTION OF THE FINANCING FORMULA IS TO MAINTAIN THE DEFENCE PROGRAM AT ABOUT ITS PRESENT LEVEL RATHER THAN TO ESTABLISH THE LEVEL OF DEFENCE EXPENDITURES FIXED TO GNP.

REDUCTIONS AFFECTING NATO

THE FOUR DESTROYERS WHICH WE PROPOSE TO DISPOSE OF HAVE BEEN IN CATEGORY C UNMANNED AND AT OVER 30 DAYS NOTICE FOR SERVICE AT SEA. THEY ARE EITHER THE OLDEST IN THE FLEET OR HAVE NOT BEEN MODIFIED TO MODERN STANDARDS. IF WE ARE TO CONTINUE TO MAN THE FOUR NEW DDH 280 CLASS DESROYERS TO A SUFFICIENT STANDARD TO TAKE FULL ADVANTAGE OF THEIR GREATLY INCREASED CAPABILITY, IT WILL NOT BE SECRET

PAGE 03 NATO 04413 02 OF 02 201550Z

POSSIBLE, WITH THE MANPOWER NOW ALLOCATED TO AND TRAINED FOR SEA DUTY, TO MAN THE CATAGORY C SHIPS DURING THE PROGRAM PERIOD. UNDER THE CIRCUMSTANCES THE DEPARTMENT OF NATIONAL DEFENCE CONSIDERS THAT THE OLD SHIPS SHOULD BE DISPOSED OF PROGRESSIVELY BY LATE 1974 AND THE RESOURCES THAT ARE RELEASED PUT TO BETTER USE. IN THE CASE OF THE TRACKER AIRCRAFT, THEIR OPERATIONAL USEFULNESS IN THE ANTI-SUBMARINE ROLE HAS DECREASED MARKEDLY SINCE THE PAYING OFF OF THE AIRCRAFT CARRIER, HMCS BONAVENTURE. THEY ARE CONFINED TO COASTAL PATROL ALONG THE CANADIAN COAST AND THEIR PILOTS ARE NO LONGER QUALIFIED FOR DECK LANDING. THE TIME REQUIRED TO WORK THE SQUADRON UP SUFFICIENTLY TO GO TO SERVE ON ANOTHER COUNTRY'S CARRIER IS ANY USEFUL WAY WOULD BE EXCESSIVE AND THE DEPARTMENT OF NATIONAL DEFENCE CONSIDERS THAT THE SAVINGS IN MANPOWER AND IN MAINTENANCE FUNDS TO BE ACHIEVED BY REDUCING THE ASW CAPABILITY AND THE SIZE OF THE FLEET WOULD BE BETTER EMPLOYED IN SUPPORTING OTHER ACTIVITIES SUCH AS THE BUILD-UP FOR THE NEW LONG RANGE PATROL AIRCRAFT.

SACLANT AND MC ASSESSMENTS

I WOULD ALSO LIKE TO DRAW ATTENTION TO THE DIFFERENCES BETWEEN THE SAACLANT AND MC ASSESSMENTS. SAACLANT RECOGNIZES THE LIMITED USEFULNESS OF THE QUIPMENT WHICH WE PROPOSE TO WITHDRAW. HE ALSO IS PREPARED TO MAKE THE JUDGEMENT THAT THE POTENTIAL LONG TERM GAINS JUSTIFY ACCEPTANCE OF THE INCREASED RISK FROM THE SHORT TERM REDUCTIONS. THE MILITARY COMMITTEE WHICH, LIKE THIS D.P.C., MUST ACCOMMODATE TENACIOUSLY HELD VIEWS, EVIDENTLY HAD DIFFICULTY BETWEEN ITS MEETING LAST THURSDAY MORNING AND THE FOLLOWING TUESDAY IN NEGOTIATING COMPROMISE WORDING. THIS DOES NOT MAKE A VERY ROBUST DOCUMENT.

I SHOULD LIKE TO SUGGEST THEREFORE THAT THE DPC TAKE NOTE OF BOTH THE MC AND SAACLANT ASSESSMENTS, EXPRESS WHATEVER VIEWS ARE THOUGHT APPROPRIATE ON THE PROPOSED REDUCTION AND LOOK FORWARD TO RECEIVING FURTHER INFORMATION ON THE NEW PROGRAM AS IT BECOME AVAILABLE. I HOPE THAT THE DPC CAN COME TO AN EARLY CONCLUSION AS IT IS IMPORTANT

THAT A PUBLIC ANNOUNCEMENT BE MADE SOON IN CANADA.

SECRET

PAGE 04 NATO 04413 02 OF 02 201550Z

END TEXT.

RUMSFELD

SECRET

<< END OF DOCUMENT >>

Message Attributes

Automatic Decaptioning: X
Capture Date: 02 APR 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 20 SEP 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973NATO04413
Document Source: ADS
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: 11652 GDS, 12-31-81
Errors: n/a
Film Number: n/a
From: NATO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730962/abqcecdc.tel
Line Count: 280
Locator: TEXT ON-LINE
Office: n/a
Original Classification: SECRET
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators:
Previous Classification: SECRET
Previous Handling Restrictions: n/a
Reference: USNATO 4405
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 21 AUG 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <21-Aug-2001 by elyme>; APPROVED <24-Sep-2001 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CANADIAN DEFENSE DECISIONS
TAGS: MCAP, CA, NATO
To: STATE
SECDEF INFO OTTAWA
USNMR SHAPE
SUCINCEUR
USLOSACLANT
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

